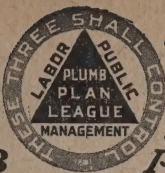


RAILROAD DEMOCRACY

THE PLUMB PLAN WEEKLY



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FIVE CENTS

"Plumb Planning" in Great Britain

By G. D. H. COLE, Secretary British Industrial Congress.

THE OBJECT of the organized workers of Great Britain is becoming more and more clearly defined as the national ownership of industry combined with control by the whole body of producers. By this is meant not bureaucratic management by a State department, which is profoundly distrusted by almost everyone; and not control by the manual workers alone; but a combined system of control by all sections of workers, whether they work with hand or brain, with public ownership as a safeguard for the consumers and the public that they will receive efficient service at a fair price.

The movement towards this form of control and ownership was proceeding apace in Great Britain before the war. The outbreak of the war for a time checked its development; but before long experience of war conditions became the most powerful argument in its favor. The problems of industrial organization were found to be above all human problems, and it began to be realized that in the future industrial efficiency will depend primarily in drawing from the whole personnel of industry that willing cooperation which will come only of the conviction that the system under which men work is just and democratic.

The movement towards democratic industrial self-government and public ownership in industry—the National Guilds movement as it is called in Great Britain—began, then, to gather momentum as war-time experience more clearly revealed the defects both of private enterprise and of bureaucratic control. The idea steadily gained ground among trade unions, and was soon incorporated as a leading principle in the programmes of the more advanced and powerful unions. It also made headway among professional and technical workers,

and was specially welcomed by many of the younger members of the salariat of industry.

The three industries in which the movement achieved the most substantial results and assumed the most definite forms were the mines, the railways, and the postoffice. The postal workers, whose service is already publicly owned, have had full experience in their own conditions of the disadvantages and inefficiencies of bureaucratic management, and this had led the leading postal associations, at an early stage in the movement, to declare definitely for democratic control of the postoffice enterprise by all grades of postal workers—a proposal which they coupled with an ambitious, but wholly practicable, program of suggestions for extending the scope, and improving the efficiency, of the service.

The railway trade unions were the first to move. They had been in the habit, for years past, of passing themselves, and of securing at labor congresses the passage of, resolutions demanding the public ownership of the railway industry. From 1915 onwards these resolutions have changed their form, and have demanded not only national ownership, but also democratic control. The claim of the National Union of Railwaymen is that it should have as the representative of the manual workers, a half share in control, while the Railway Clerks' Association, which represents the clerical and supervisory elements, including station-masters and officials, also claims its share in control. This claim for control is among those which are at present being pressed upon the Government by the railway trade unions as a part of their national programs.

The miners, among whom the movement for control has now become most advanced

and definite, were later in the field than either of these groups with a concrete and practical scheme. At their Annual Conference in 1918, they definitely, on the motion of Mr. Frank Hodges, now Secretary of the Miners' Federation and a member of the National Guilds League, instructed their executive to redraft their proposed bill for the nationalization of mines and minerals so as to provide for democratic control. The scheme of control presented this spring before the Coal Commission by Mr. Straker, another well-known guildsman, was the direct outcome of this resolution. The scheme was drafted by the miners' leaders in close consultation with other leaders of the National Guilds movement, and substantially represents their views.

This scheme, like that of the railway workers, bears a very close resemblance to the scheme now being advocated in the United States of America under the name of the Plumb Plan.

Though the two sets of proposals have been worked out wholly without consultation, similar circumstances have led in both cases to conclusions which are largely the same.

It is a plain fact that in the mines and on the railways of Great Britain, there is no way by which efficient public service can be secured or maintained, unless the workers themselves can be persuaded to shoulder the responsibility of maintaining it. There is no other way, because there is no form of coercion which can make men give of their best if they feel that their efforts are being frittered away, and that what should be a great public service is being inefficiently controlled for the profit of a few.

The essential features of the miners' scheme are simple. They want a system of control which will be wholly free from bureaucratic elements. They ask that the management of the mines shall be placed under a Mining Council and that one half of the members of the Council shall be nominated (not necessarily from their own members) by the Miners' Federation of Great Britain. The remaining half, they suggest, should be nominated by the State, not from bureaucratic sources, but so as to provide for the representation of all

the forms of expert technical and managerial knowledge which are no less essential than manual labor to the conduct of the industry. They suggest that these representatives should be nominated in the first instance by the state, because the managerial sections of the industry still stand in so much fear of the employers as to be unwilling to demand for themselves the right of nomination until State ownership has become an actual fact. Indeed, the managerial representatives spoke publicly before the Coal Commission against both public ownership and workers' control; but it is common knowledge that this attitude was dictated largely by fear, and that personally very many of them would strongly favor the scheme proposed.

Under the Council responsible for the general policy of the industry there would be District Councils and under them again "Pit" Councils (corresponding to Works Committees in factory industries) similarly composed to the National Council. But in addition, the miners fully recognize the necessity of giving to the consumers and to the general public a real voice in the policy of the industry. It was a point long discussed whether this could best be done by direct representation on the managing councils of the industry; but finally the balance of opinion, while not altogether rejecting this proposal, inclined to a rather different solution, and it was regarded as preferable, and necessary in any case, to establish a national and district Consumers' Council attached to the industry and acting in the closest possible conjunction with the managing Councils.

As regards the public or national interest, it was felt to be best to provide for this, first, by ensuring that the surplus of the industry should not be absorbed by the workers in it, but should pass into the public treasury (here there is a difference from the American plan) and secondly by maintaining the control of prices in the hands of the public. There was difficulty in working out this part of the scheme in detail, because, if it is to work properly, it will involve substantial changes in the political mechanism of the British State, and the adoption by Parliament of new methods and forms of procedure which will make it

more capable than it is today of acting as the guardian of the public interests.

A scheme on these lines was prepared by a special committee of the Miners' Federation of Great Britain, and submitted to the Coal Commission in the shape of a formal Bill. The report of the chairman, while it by no means recommended a scheme of control good enough to satisfy the miners, did go a considerable distance towards the recognition of their claims. The six labor members of the Commission, while welcoming the chairman's report, reiterated in their own separate report their demand for a fuller measure of control.

There can be no doubt that the demand for a real share in control coupled with national ownership of industry has behind it the support of most of the active members of the big trade unions in Great Britain, not only in the mining and railway industries and in the postoffice, but also in many other big industries and services, including especially the metal and engineering and shipbuilding industries.

It was, for instance, the powerful demand put forward by the workers' side of the big industrial conference summoned by the Government in February. Nor can it be doubted that the movement is every day attracting a greater measure of support from brainworkers. It has become one of the official demands of the National Union of Teachers and of the Civil Service Associations, while in industry the powerful Association of Engineering and Shipbuilding Draughtsmen is definitely committed to this solution of the industrial question.

The cooperation of the manual workers and the salariat in the control of nationally owned industries is practically certain to be the next stage in the evolution of industrial organization in Great Britain, if only for the reason that there is no other practical proposal in the field which can put forward even a specious claim to be able to restore and maintain productive efficiency.

Private control is played out: it has lost its power to ensure fairly continuous operation, and with its definite failure to "deliver the goods" it loses its last claim to survival.

Bureaucratic management as a rival solution has few followers; the state as man-

agerial organizer has become vastly more unpopular than before as a result of the war, and state management would have no better prospect than private management of maintaining continuous operation and industrial peace.

Nor is there any hope for the rival solution of capitalist trustification, including participation by the workers, which is sometimes suggested; for trust organization would have least chance of all of securing public confidence or giving scope for the incentive of public service. The workers in the big vital industries have made up their minds that the solution lies in a combination of public ownership and producers' control; and, whether it comes this year, or next year, or the year after, this is the solution which will have to be adopted. There is no other way of securing output and efficiency, and upon output and efficiency the future of Europe and of the world depends.

More Overcapitalization

COMPLETING the task of valuing the street railway properties of Washington, D. C., which they started in 1914, the Public Utilities Commission has issued a report which shows these companies to be overcapitalized to a degree approximating conditions in the railroad industry.

The Capital Traction company claimed its reproduction cost, as of June 30, 1919, to be \$25,951,679. The Public Utilities Commission finds the fair value of the company to be but \$14,270,495.

The Washington Railway and Electric Company claimed a reproduction cost of \$29,656,382. The Public Utilities Commission says a fair value is \$16,106,368.

These companies, in War Labor Board hearings, claim they should be allowed to earn returns on their inflated accounts before just demands of their employes for wage advances to meet climbing costs of living were considered.

The owners of railroad securities are attempting to legalize by Congressional action, similarly inflated "property investment accounts."

Railroad Democracy

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The Socialists in their convention at Chicago object to the Plumb Plan's "method of acquiring the railroads" and the "limited representation of classified employes on the board to manage the lines." The plan is not socialistic—quite the reverse.

The People's Independent Party of Kings County, New York, (New York City) the so-called Hearst party, has adopted a platform condemning the Republican and Democratic parties as "unscrupulous lackeys of organized plunder" and declaring for the Plumb Plan.

The street railway systems are in the same case as the railroads. For example, the "fair value" of the Capital Traction Company of Washington as of June 30, 1919, is found by the Public Utilities Board of the District of Columbia to be \$14,000,000 as against the company's claim of reproduction value of \$26,000,000. Everywhere the public pays returns on a bogus value equal to the real value.

The Vermont State Federation of Labor endorsed the Plumb Plan at its annual convention. The Plan also received the endorsement of the North Dakota Workers' Non-Partisan Political Alliance, a new party which elected as its leader, John Hickey, a representative of the miners. The Plan was endorsed by the Baltimore Federation of Labor, and the Trades Council of Essex County, New Jersey.

"SHARING THE RISK"

The principal argument against the Plumb Plan is the simplest to refute. That is the argument that the railroad employes are asking to share the profits of the industry without willingness to share the risk. The argument rises from the habit of thinking of the railroads as being like any private enterprise in which there are risks and gains. It rises also from the faulty understanding of the nature of "profits" which labor would receive by the Plumb Plan. It is an argument, curiously enough, that has been raised both by the Wall Street press and by leading socialists in Europe; the former holding to their ideas of the laws of private business, the latter objecting to "profits" and to labor working for "profits."

In both instances the argument is no argument, merely because the facts do not justify it. We are not here in the dilemma of choosing between philosophies, or of trying to change economic laws.

For the operation of railroads is a state function. The Supreme Court in stating this remarked that it never needed a court decree to establish the truth. The state has merely delegated to private interests its own powers. The railroad corporation is not comparable with any private corporation. It has, on the one hand, greater rights—the rights of the state to condemn property and to levy taxes, or transportation charges. It has, on the other hand, a limited use of the property it owns, which can only be used for public service and can only be valued in so far as it represents honest and prudent investment made in serving the public.

There is no private risk in a state industry. The city water works, the municipal power plant, do not lose money if there is a deficit; the public which owns them foots the bills. Just so with the railroads. Yes, the railroads even when privately operated. The Supreme Court has also decreed this, though it is as self-evident as the truth that operating railroads is a state function. The state—that is, the people—bear the risk of the railroad industry. If they hire private capital to do their work, they are required by the laws of the land to pay this hired capital a fair return.

The owners of the private interests, according to the courts, must be paid a "fair return" on all the money they have prudently invested in the service of the public.

The demands of Wall Street for a guarantee of the "property investment account" of the railroads are not vicious because a guarantee is vicious, but because Wall Street demands a guarantee on watered stock, because Wall Street demands a guarantee on money it never invested in the service of the public.

By the old system of finance, the public offered the inducement of safe investment in order to interest corporations in building and operating the railroads. It was willing to pay slightly more than the cost of transportation—in other words, profits—to secure service.

The Plumb Plan is not, as is frequently charged, a device to offer the inducement of profits to labor rather than to capital. The "profits" under the plan are not in the same category as the profits paid to investors. By the present system the public assumes all the risks, pays the actual cost of service and a fair return, in addition to the cost. By the Plumb Plan the public assumes the risk, pays the actual cost and no profit.

What then are the "profits" in the Plumb Plan?

The Interstate Commerce Commission, by the terms of the proposed law, fixes the rates to meet the actual estimated cost. Then, if by savings, by ingenuity, and by more intense effort, the employees succeed in operating the railroads at less than the estimated cost they share their savings with the public. And if their share of the savings once reaches 5 per cent of the gross operating revenue, rates must be accordingly reduced.

To argue that such profits should involve a commensurate risk is to ask that the employees, in event of a deficit, be deprived of a portion of their wages. It is to ask that the employees assume a burden that private capital has never borne. If the deficit is caused by bad management, the lease should be forfeitable, and so is under the Plumb Plan; so now, under present conditions, there is no guarantee for railroad investments that have been foolishly administered.

The Cummins Railway Bill

THE BILL introduced into the Senate on September 2 last by Senator Albert B. Cummins as the proposal of the Senate Subcommittee on Interstate Commerce provides against strikes. Under the twenty, to thirty-five new regional railway systems to be put under federal incorporation, a strike is defined as a conspiracy punishable by "a fine not exceeding \$500, or by imprisonment not exceeding six months, or by both such fine and imprisonment."

It creates a new committee of wages and working conditions composed equally of representatives of employees and employers, their decisions being made subject to a Transportation Board and the Interstate Commerce Commission.

It permits "fair" dividends, based on the value of railway properties, as fixed by the Interstate Commerce Commission.

It permits payment of the present rental upon the capitalization of the railroads to continue for four months, and that present rates shall continue until changed by the Interstate Commerce Commission.

It provides an Employees' Advisory Council composed of representatives of "each organized craft of railway employees"; and one-half of the excess earnings of the companies above the "fair" dividends would go to benefit the employees in the way of new safety devices, hospital relief, insurance and pensions, and technical education.

Finds It Hard to Agree

An old Scotch Presbyterian, with a burr in his speech like a thistle, accosted Mr. Plumb after his recent address in Chicago. "Meester Plumb," he said, "there must be something r-radically wr-wrong with your plan. I think it is r-right. But this Socialist" (pointing to two men approaching), "this Socialist believes it is r-right and yon single-taxer believes it is r-right and I ha'e ne'er had opeenion in common wi' either before. Therefore there must be something r-radically wr-wrong with your proposeotion."

True, if radicals and conservatives alike agree upon the plan it is radically different from most plans.

The Senate Discusses the Strike

From the Congressional Record, September 4, 1919

Mr. Underwood: I think the policy of arbitration has failed; but I do think that in governmental matters, in matters that the Government controls, the time has come when the Government should fix a just and fair wage and make strikes impossible.

Mr. Borah: But how would the Senator compel the men to accept the wage which was fixed, in case it was unsatisfactory.

Mr. Underwood: I would not attempt to do that. The Committee on Interstate Commerce has reported a bill which makes it a misdemeanor for two or more men to enter into a conspiracy for the purpose of interfering with a transshipment of interstate commerce in the United States. I think it is just as legitimate to pass a law to say that men shall not conspire to stop the food trains, the bread trains, the milk trains in America as it is to say that a man commits a crime against the United States Government if he burns a bridge across a stream that connects two states.

Mr. Borah: Of course, Mr. President, if it is a conspiracy and is of the nature of an act which can be by law made a conspiracy and a criminal offense, I can follow the Senator's argument; but can we say to two men that they shall not have an understanding between themselves as to what wage they shall demand and in case it is not satisfactory they together shall not quit?

Mr. Underwood: No; and I would not have that done. I would not for one moment think of telling a man that he could not quit his work or 100 men that they could not quit their employment; but I am not in favor of allowing any man or men to interfere with the orderly movement of passengers and commodities among the states.

Mr. Borah: In other words, then, the crime which the Senator has provided against in the bill would consist of a combination with intent to interfere with interstate commerce?

Mr. Robinson: Yes; or a combination which has that effect.

Mr. Borah: If you go that far, it occurs to me that then you have reached the other

dangerous point—that is, of saying that 100 men shall not agree amongst themselves that they will not remain in the employ of the railroad for a certain wage, because for them to quit would be to affect interstate commerce. You remove all question of intent, which would practically deny them the right to quit work.

Mr. Smith of Georgia: Does the Senator from Idaho doubt the power of Congress to make it a crime, after the Interstate Commerce Commission has fixed a wage, for two or more men to conspire together to stop the interstate commerce of the country unless that wage is increased?

Mr. Borah: The Senator says "for two or more men to conspire."

Mr. Smith of Georgia: Well, for two or more men to arrange or plan or agree.

Mr. Williams: Or combine.

Mr. Smith of Georgia: Or agree or combine to induce a large number to quit and to stop the interstate commerce of the country unless that wage is raised. Does the Senator doubt the power of Congress to pass legislation of that kind?

Mr. Borah: I will state it in my language, and then state my doubt. I do not know that I exactly agree with the Senator, but I am not sure that I followed his language exactly. I do doubt the power of Congress, as a matter of law, and doubt the wisdom as a matter of policy, to say to a hundred men or a thousand men: "You shall not quit work," even though they quit work with an understanding provided the quitting is because they are not satisfied with the wage. I do not think you can say to one man or a thousand men, if they are dissatisfied with the wage, that they shall nevertheless continue at their task.

Mr. Smith of Georgia: But does the Senator doubt the right of Congress by law to make criminal an arrangement or agreement between a large number of men to quit at the same time with a view of stopping interstate commerce?

Mr. Borah: The Senator puts in there the proposition "with the view or intent of

interfering with interstate commerce"; but suppose these men say, "We are not concerned with interstate commerce one way or another. We are simply concerned with a sufficient wage to take care of ourselves and our families. We will not work at this wage. You can go ahead with your interstate commerce if you can find other men to run the trains, but we ourselves are dissatisfied, and will quit." Can you prohibit their quitting?

Mr. Smith of Georgia: Does not the Senator believe that the legislation would be fully effective if it expressed a provision that the agreement was with intent to interfere with interstate commerce, because does not the Senator know that the movement is within and has been avowedly within the purpose of interfering with interstate commerce?

Mr. Borah: I can conceive, Mr. President, of men quitting work, both individually and collectively, without the intent to interfere with interstate commerce being the impelling or compelling motive. They would have no other object than to secure their wages. They would have no other intent than to secure their wages.

Mr. Smith of Georgia: Suppose they undertook from one end of the country to the other, simultaneously, to call all the men off and to stop every train in the country?

Mr. Williams: In order to force legislation.

Mr. Smith of Georgia: In order to force a raise of wages—could there be any doubt about the purpose to stop interstate commerce to force up the wage?

Mr. Borah: The Senator is now speaking of a case which he makes out himself. That is to say, you have satisfied the court with evidence that these men quit not only for the purpose of securing wages but for the purpose of interfering with interstate commerce.

Mr. Smith of Georgia: For the purpose of securing the increased wage.

Mr. Borah: Now, if you are able to satisfy the court that the men have quit work for the purpose of interfering with interstate commerce, I would concede your proposition; but that will be a difficult thing to prove, and your law will be very ineffective, because the men will say, "We

are not desirous of interfering with interstate commerce. We simply say that your wages are too low. We cannot live at those wages. We are going to seek work somewhere else." You cannot compel them to go to work.

Mr. Underwood: The Senator's argument is, I take it, that this cannot be done because it cannot be effectively done. I do not understand the Senator's argument to mean that he is opposing a government tribunal to solve this problem, instead of having it solved by force, if such a tribunal could be satisfactorily worked out.

Mr. Borah: Of course I have no objection to the establishment of tribunals which will have for their object and purpose the adjustment of wages, and I am going to hope with the Senator from Alabama that those wages will always be so adjusted and fixed that they will be satisfactory to both the employes and the employers.

But I have been interested in the proposition that in case conditions should continue as they have existed in this country in past years and there should be dissatisfaction upon the part of the employes as to whether or not the Government is going to undertake to go further and say that men through some process shall be compelled to remain at their work under some form of compulsory arbitration or arbitrary action, direct or indirect. I do not think we have any such power, and I do not think we should undertake to use any such power.

Now, Mr. President, just a word further. So long as the labor question remains a wage question we shall always have difficulty, and there will always be force entering into the settlement of these propositions. If it is simply a question of fixing wages, and the laboring men of the country are excluded from participating in the business or from cooperating in the building up of business and enjoying its prosperity in case it is prosperous, we shall always have force. If we are to settle the labor question, we must get back of a tribunal, and far back of the question of adjusting wages, and determine to what extent and how far we can go in bringing labor and capital together by giving labor an actual interest in the business in which it may be engaged.

If All Bankers Saw This

JOHN F. MOORS, head of the firm of Moors & Cabot, is a liberal Boston banker who understands what is going on in the world. In a statement made to the Boston press, Mr. Moors, after deprecating any effort on the part of the organized railway employes to force their plan on the country, and after cautiously voicing his fears of political influence in the Plumb Plan, speaks out honestly as follows:

"I do not, however, sympathize with the hasty outcries of many people who have given little thought to the problems involved that anyone who makes so radical a proposition must be possessed with the devil. It seems to be peculiarly a time for dispassionate thought and study of the facts. I am confident that no large body of American citizens means to do serious injustice for its own selfish benefit.

"America seems to me to have grown largely through individual initiative. Private ownership with its rewards for enterprise and industry seems the natural medium in which individual initiative can develop itself. Government operations have not seemed successful in developing this quality. But the thousands of investors in railroad securities have also no initiative. Though nominally partners when they hold stock they seldom attend stockholders' meetings and in effect have lent their capital to the railroads as truly as if they owned the bonds of the companies. They are typical absentee owners.

"In the old days the great railroad stockholders—Vanderbilt, Harriman, Hill, Huntington and Forbes—were also railroad builders and managers. Now the management is left to expert salaried officials with inept boards of directors behind them, not always representing large amounts of stock. Individual initiative on the part of owners has thus almost ceased.

"In short, I am 'from Missouri' about this proposition, but am convinced that everyone should discuss it dispassionately on its merits, and should not form snap judgments, to the end that wisdom and justice may ultimately prevail. With every well-considered and legitimate effort of labor to help itself to better living conditions, when freed from intimidation, and to make its work more interesting—to give labor in fact the stimulus of individual initiative—I heartily sympathize."

War Department Democracy

The principles of "industrial democracy" as advocated by President Wilson in his message to Congress last May, have been put actively into operation at the Rock Island Arsenal with the approval of Secretary of War Baker.—Special Dispatch to Business Section, *Public Ledger* of Philadelphia, Chicago, September 5.

This confirms on the ground the original outgiving of the War Department in Washington and upon the authority of Col. Henry B. Jordan, the commandant at Rock Island.

ADDRESS: